



Third International Seminar on Early Warning and Business Cycle Indicators

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Relevancy and Utility of the Handbook on Tendency Surveys

Relevancy and Utility of *Handbook on Tendency Surveys*

1. Fundamental Principle of Official Statistics

Official statistics provide an indispensable element in the information system of a democratic society, serving the government, the economy and the public with data about the economic, demographic, social and environmental situation. To this end, official statistics that meet the *test of practical utility* are to be compiled and made available on an impartial basis by official statistical agencies in a coordinated effort. Their availability will strengthen evidenced based policy making and honour the entitlement of the public and business community to coherent and consistent information.

2. Call for coordinated international statistical response

In response to the recent global crisis started in late 2007, countries and international community have renewed the call for the establishment of an effective early warning system to prevent or temper another global economic downturn in the future. The international statistical community seeks to improve monitoring and evaluation of the rapid and systemic changes in the national and global economy and their financial markets, and by monitoring the impacts of these developments on vulnerable countries and populations groups. This response is being formulated in an integral package of recommendations for macroeconomic surveillance that should strengthen the accessibility, availability and outreach for short term data series at country and international level. The recommendations pertain to a standard data template of minimum core set of short term economic and financial data and related meta data structure envisaged to be disseminated through national central data, supporting analytical framework and visualization tool for analysis of short term movement of data, new and updated compilation guidance and handbooks, a web based knowledge base of existing supporting manuals and guidance documents and a strategy for implementation with a supporting diagnostic tool for assessing the country's institutional and statistical capacity in compiling integrated short term economic data using the System of National Accounts as its comprehensive statistical framework.

3. Purpose of short-term economic statistics

National statistics offices and other statistical agencies of the national statistical system around the world have a long history of publishing short-term economic indicators as official statistics¹ to respond to permanent concerns of the public and government of assessing the short-term changes in economic activities. These statistics are vital for the analysis of recent economic developments, for monetary and economic policy making to govern the economy and for decision making by the business community and general public.

¹ Such as index numbers of industrial production that dated back to at least 1920's

4. Purpose of tendency indicators

Tendency surveys collect qualitative information from individuals and company managers about the financial and economic situation of their household or their business. Tendency surveys currently cover the following sectors: industry, construction, retail trade, services, consumers, investment and agriculture; they could also be extended to other sectors, such as energy, if desired. Tendency surveys ask about both the current economic and financial situations of individuals and businesses as well their plans and expectations for the near future. This information goes beyond variables that can be easily captured in conventional quantitative statistics. Further, the near real time availability of tendency surveys is valuable to economic and financial analysts as they may provide advance warning of changes in the economy. Survey respondents from business sectors also benefit from tendency surveys because they receive valuable information on business conditions in their own sector as seen by their competitors.

5. Recommendation for tendency surveys and related composite tendency indicators

Tendency surveys are carried out by national statistical offices as well as universities and institutes across countries. Many of these organizations have a long history with tendency surveys. These surveys should be carried out in a coordinated manner across institutions and countries. Central to this coordination is the use of a harmonized tendency survey methodology. A coordinated survey includes a harmonized questionnaire design, based on a series of questions tailored for a specific economic activity such as industry, agriculture, construction, services or the consumer. The harmonized questionnaire collects information that has proven to provide reliable indicators of economic trends. The survey sample, frequency of collection and the compilation of composite tendency indicators should also be harmonized in order to allow comparisons between neighbouring countries or to produce indicators for country groups.

6. Relevancy of the Handbook

There exists statistical guidance at European and OECD level providing harmonized methodology for carrying out tendency surveys and it has formed the basis of this handbook, though this handbook goes further by taking into consideration additional economic sectors and the needs of developing countries. This handbook is relevant because it is an internationally approved set of guidelines applicable to all countries and multiple economic activities. The Handbook will be useful for national statisticians and organizations that carry out and analyze tendency surveys.

7. Practical utility of the Handbook

The *Handbook on Tendency Surveys* is intended for those that carry out tendency surveys and those who use composite tendency indicators. It draws on a wide range of experience and expertise, and outlines harmonization practices for questionnaire design, survey questions, survey execution, data processing and the use of results. The handbook is intended to assist those that carry out surveys by helping to create a harmonized list of questions by economic activity. The handbook can be used as a

guide through the process of setting up sample survey conduct, data processing and analysis. The handbook will also guide users on the applicability of tendency surveys with respect to macroeconomic situations. The handbook will provide guidance for dissemination of survey results. Moreover, the handbook is intended to serve the needs of analytical users by making them aware of the statistical methods and techniques employed in tendency surveys and composite tendency indicators.

8. Relevancy of the handbook for developing countries

The handbook is equally relevant for official statisticians and organizations in developing countries. Their economies are vulnerable to economic downturns and business cycle fluctuation, which might be caused by shocks not only from economic and financial crises in their domestic and global economy but also by shocks of agricultural and raw material prices. However, the public good nature of statistical information, and the relative limited scope and scale of their market sectors in the past have resulted in the present under-provision of short term statistics and the lack of economic indicators even in the larger emerging developing countries. For those statistics that are available, they are often published with a considerable time lag, making them irrelevant to policy makers confronted with a quickly fluctuating economic situation. A reliable system of qualitative short-term indicators can be seen as a valuable complement to the system of quantitative statistics. Further, tendency surveys have proved a cost-effective means of generating timely information on short-term economic developments.